



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 2
290 BROADWAY
NEW YORK, NY 10007-1866

JUL 13 2010

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Article Number: 7009 2820 0001 4968 5335 / 7009 2820 0001 4968 5342

Mr. Thomas H. Defibaugh
BDH Oil Company, Inc.
580 Interstate Parkway
Bradford, PA 16701

Mr. Joseph Bucher
BDH Oil Company, Inc.
108 Pleasant Street
Bolivar, NY 14715

Re: In the Matter of: UIC-AO-94-1
Information Request, Nichols Run Lease, NYU118281

Dear Messieurs Defibaugh and Bucher:

From October 26 to 29, 2009, the U.S. Environmental Protection Agency (EPA) conducted routine inspections on the Nichols Run Lease (Lease). The inspections revealed that, of the 130 wells that were inspected, 119 are temporarily abandoned, 4 were buried such that well status could not be confirmed and 7 were plugged and abandoned.

EPA records indicate that 181 injection wells were inventoried on the Lease by a prior owner and that approximately 51 of those wells are plugged and abandoned and 130 of them are temporarily abandoned.

EPA has determined that BDH Oil Company, Inc. (BDH) or the current owner, is in violation of EPA requirements. Specifically, 40 Code of Federal Regulations (C.F.R.) §144.28(c)(2)(iv) requires that "[a]fter a cessation of operations of two years the owner or operator shall plug and abandon the well in accordance with the plan unless he:

- (A) Provides notice to the Regional Administrator;
- (B) Describes actions or procedures, satisfactory to the Regional Administrator, that the owner or operator will take to ensure that the well will not endanger USDWs during the period of temporary abandonment. These actions and procedures shall include compliance with the technical requirements applicable to active injection wells unless waived by the Regional Administrator."

EPA records indicate that the subject injection wells have been shut in for more than 2 years and that no actions or procedures have been submitted to EPA for review and approval, nor have all the wells been plugged and abandoned.

In addition, EPA finds that BDH, or the current owner, is in violation of 40 C.F.R. §144.28(d). Owner/operators of Class II injection wells are required to establish and thereafter maintain financial responsibility for the proper closure, plugging and abandonment of the injection wells. EPA records indicate that BDH has failed to establish and thereafter maintain financial responsibility for the injection wells on the Lease.

Lastly, EPA finds that BDH is in violation of the above-referenced Administrative Order on Consent. Specifically:

1. Compliance Measure 2B required Respondent to establish a trust agreement and to make quarterly deposits into the trust until such time as the value of the trust assets equaled no less than \$136,620 or an adjusted amount based upon updated plugging cost estimates. By letter dated October 29, 2003, the National City Bank of Pennsylvania advised EPA that the total value of the assets of the trust equaled \$73,390.48
2. Compliance Measure 3A required Respondent to, within 2 years of the effective date of the Order or by February 10, 1996, plug the 15 injection wells listed below:

AW-1, AW-2, AW-3, AW-4, AW-5, AW-6, AW-7, AW-8, AW-9, CW-2, CW-3, CW-6, CW-8, CW-9 and EW-17.

The October 2009 EPA inspections referenced above found that the following wells were not plugged and abandoned: AW-1, AW-2, AW-3, AW-7, CW-2, CW-3, CW-6, EW-17.

INFORMATION REQUEST

Pursuant to 40 C.F.R. §144.27, please submit the following information **within 45 days** of receipt of this letter.

1. Identify the full legal name and mailing address of the entity that currently owns the injection wells on the subject lease and, if different, the full legal name and mailing address of the entity that owns the mineral rights to the Lease.
2. Identify the current status (e.g. temporarily abandoned, plugged and abandoned) of each of the 181 existing injection wells on the Lease. EPA has detailed plugging records for the following wells: BW-1, BW-2, BW-3, BW-4, BW-5, BW-6, BW-7, BW-8, BW-9, CW-4, CW-5, CW-7, CW-8, DW-1, DW-2, DW-3, DW-6, DW-11, DW-13, DW-14, DW-16, DW-17, DW-18, EW-9, EW-20, EW-22, EW-23, FW-2, FW-7, GW-22, GW-23, HW-210, HW-231. For any other

injection wells that have been plugged and abandoned, please submit either a copy of the plugging report filed with the New York State Department of Environmental Conservation or a detailed description of the plugging procedures that were used on the well including, but not limited to:

- a. amounts of casing and tubing left in the well;
 - b. depth at which the tubing was severed;
 - c. depths and thicknesses of each cement plug;
 - d. volume of cement used for each plug;
 - e. list of plugs, if any, that were tagged;
 - f. any material (e.g. gel) used to fill intervals between cement plugs.
3. Submit a recent third party cost estimate for the total cost of plugging the injection wells identified in Paragraph 2 above as not having been plugged and abandoned.
4. Identify the actions or procedures that the owner or operator of the injection wells proposes to take to comply with the requirements of 40 C.F.R. §144.28(c)(2)(iv) cited above.
5. Detail any existing schedule for properly plugging and abandoning the unplugged injection wells on the Lease.
6. Submit a current valuation of the assets of the trust established pursuant to the requirements of Administrative Order on Consent UIC AO-94-1.
7. Provide recent financial information on BDH. This information shall include, but not be limited to:
 - a. The most recent three years of corporate tax returns as filed with the IRS, including all attachments.
 - b. EPA understands that BDH and Snyder Brothers, Inc. (Snyder) have entered into an agreement (Agreement) whereby Snyder will obtain the rights to drill oil production wells on the Lease and has drilled at least 15 producing wells. EPA also understands that the Agreement may include a provision whereby Snyder pays for the plugging of some of the Lease wells and/or pays BDH for the rights to drill. Please provide EPA with the following information:

- i. A copy of the Agreement referred to above, as well as any and all other agreements between BDH and Snyder, which relate to rights to drill oil production wells on the Lease.
- ii. If not specified in the agreement(s) requested under Paragraph 5.b.i., above, provide the following information:
 - 1. Detailed description of the well plugging agreement, if any, between Snyder and BDH whereby Snyder is paying for the plugging of Lease wells.
 - 2. Detailed description of any additional payments, over and above well plugging, Snyder is making to BDH in order to obtain drilling rights on the Lease.
 - 3. Detailed description of the royalty payments and/or percentage of oil production, if any, that BDH receives from Snyder's oil production.
 - 4. Detailed description of any other income that BDH receives, which relates to rights to drill oil production wells on the Lease.
- c. EPA understands that BDH is producing a number of oil wells on the Lease. Provide production records from the past three years for the production wells on the Lease as well as any other production wells that BDH owns, operates or from which BDH derives an economic benefit.
- d. Detailed description of any other income BDH has received from any other source over the past three years.

All information submitted in response to this letter should be addressed to:

Nicole Foley Kraft, Chief
Ground Water Compliance Section
United States Environmental Protection Agency
290 Broadway, 20th Floor
New York, NY 10007-1866
Re: NYU118281
Attn: Frank Brock

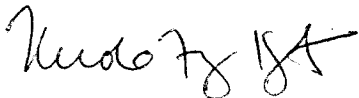
Failure to respond to this letter truthfully and accurately on or before the deadline may subject you to sanctions authorized by federal law. Please also note that all information


submitted by you may be used in an administrative, civil judicial, or criminal action. In addition, making a knowing submission of materially false information to the U.S. Government may be a criminal offense.

Pursuant to 40 C.F.R. §§2.203(a) and 144.5, you may, if you desire, assert a business confidentiality claim covering part or all of the information. Information covered by such a claim will be disclosed by EPA only to the extent, and by means of the procedures, set forth in 40 C.F.R Part 2. If no such claim accompanies the information when it is received by EPA, it may be made available to the public by EPA without further notice. You may assert a business confidentiality claim covering the information by placing on (or attaching to) the information, at the time it is submitted to EPA, a cover sheet, stamped or typed legend, or other suitable form of notice employing language such as *trade secret*, *proprietary*, or *company confidential*. Allegedly confidential portions of otherwise non-confidential documents should be clearly identified, and may be submitted separately to facilitate identification and handling by EPA. If you desire confidential treatment only until a certain date or until the occurrence of a certain event, the notice should so state.

If you have any questions please contact Frank Brock of my staff at (212) 637-3762 or by e-mail at brock.frank@epa.gov.

Sincerely,



 Douglas McKenna, Chief
Water Compliance Branch

cc: Peter Briggs
New York State DEC
Div. of Mineral Resources
Bureau of Oil and Gas Regulation
Permits Section
625 Broadway, 3rd Floor
Albany, NY 12233-6500

Christopher Miller
New York State DEC
Region 9
Allegany Sub-Office
182 East Union Street
Allegany, NY 14706

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1. Article Addressed to:

Mr. Thomas H. Defibaugh
BDH Oil Company, Inc.
580 Interstate Parkway
Bradford, PA 16701

2. Article Number
(Transfer from service label)

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PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

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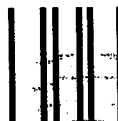
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Frank Brock

UIC - AO - 94-1

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
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1. Article Addressed to: <div style="text-align: center;"> Mr. Joseph Bucher BDH Oil Company, Inc. 108 Pleasant Street Bolivar, NY 14715 </div>		B. Received by (Printed Name) <i>Joseph J. Bucher</i> C. Date of Delivery <i>7-22-10</i>	
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
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Frank Brock

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